



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Kathleen Clarke
Executive Director

Lowell P. Braxton
Division Director

1594 West North Temple, Suite 1210

PO Box 145801

Salt Lake City, Utah 84114-5801

801-538-5340

801-359-3940 (Fax)

801-538-7223 (TDD)

January 9, 2002

Jerry Hascall
Deseret Generation and Transmission Co-operative
12500 East 25500 South
Vernal, Utah 84078-8525

Re: Resolution of Notice of Noncompliance, and Acceptance of "Transitional Reclamation Contract" and Reclamation Surety, Deseret Generation and Transmission Co-operative, Diamond Mountain Mine, M/047/066, Uintah County, Utah

Dear Mr. Hascall:

On October 24, 2001, Deseret Generation and Transmission was issued a Notice of Non-Compliance and a Directive to Cease Mining Operations. The following five mitigation items needed to be met in order to resolve this situation:

- 1) immediately suspend all mining operations and cease removal of mined or stockpiled material
- 2) within 30 days post an \$88,200 transitional surety
- 3) within 45 days submit a complete and technically adequate NOI
- 4) within 45 days submit an additional \$250.00 in permit fees; and
- 5) within 10 days contact DOGM to set up a meeting with Mary Ann Wright to discuss this matter and plans for compliance.

On November 2, 2001, verbal authorization was granted to temporarily continue operations within the existing footprint. ***The Directive to Cease Mining is now formally lifted.*** Deseret Generation & Transmission may continue mining within the existing 17.64 acre disturbed area footprint until the large mine notice is approved by the Division. ***The mitigation of item #1 is hereby resolved.***

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Jerry Hascall
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January 9, 2002

On November 6, 2001, you met with Ms. Wright and Minerals program staff to discuss the operator's plans to resolve the non-compliance notice. ***The mitigation of item #5 is hereby resolved.***

On November 29, 2001, the Division received a \$190,000 "transitional surety" and "transitional Reclamation Contract". On December 18, 2001, the Associate Director of the Division of Oil, Gas and Mining formally approved the form and amount of "transitional" reclamation surety for Deseret Generation's Diamond Mountain mine. The \$190,000 transitional reclamation surety, is in the form of a Letter of Credit (#ZSB800303) issued by Zions First National Bank. ***The mitigation of item #2 is hereby resolved.***

The transitional surety is intended to temporarily cover the anticipated reclamation costs for the current 17.64 acres of disturbance at the Diamond Mountain mine. The transitional surety will remain in place until the large mining notice of intention is approved, but for no longer than a 12-month period. Before final large mine plan approval is granted, the amount of surety may have to be adjusted either up or down and a standard Reclamation Contract must be submitted to the Division. Deseret Generation has voluntarily posted a \$190,000 transitional surety to cover 38 acres of possible future surface disturbance. However, operations are restricted to the current 17.64 acres of disturbance until the large mine plan is approved.

The LMO and the additional \$250.00 permit fee was originally due by December 15, 2001, to satisfy mitigation item #3 and #4. We received emailed map files from you on December 20, 2001. On January 8, 2002, you hand delivered the complete LMO permit application package with maps and a check for \$250.00 to our office. ***The mitigation of items #3 & #4 is hereby resolved.***

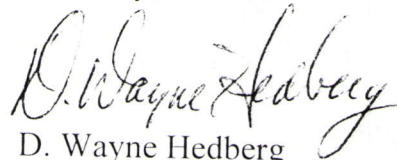
Once we complete the review process of your application, we will publish a tentative approval decision in the local area and Salt Lake newspapers for this project. A 30-day public comment period will follow. If no substantive public comments are received, we will then be prepared to grant final permit approval, once the final reclamation surety amount is received and accepted by the Division.

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Please be advised that you must also acquire formal approval from the United States Forest Service, before conducting the proposed mining activities on federally managed lands. A copy of your LMO permit application should be forwarded to the local USFS office, to ensure their approval covers the entire scope of your project proposal.

Enclosed please find copies of the fully signed and executed "Transitional" Reclamation Contract and Letter of Credit for your files. We have initiated the review of your LMO application and hope to notify you of its completeness and technical adequacy within the next 30-45 days. Please contact me at (801) 538-5286 or Paul Baker at 538-5261, if you have any questions regarding the content of this letter.

Sincerely,



D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

jb
Enclosure: copy of Transitional RC and LOC
cc: David Crabtree, Deseret Power (VP & General Counsel, 10714 South
Jordan Gateway, South Jordan, Utah 84095)
Chauncie Todd, USFS, Ashley National Forest
Mary Ann Wright, OGM
M47-66-tran-surety-apv.doc

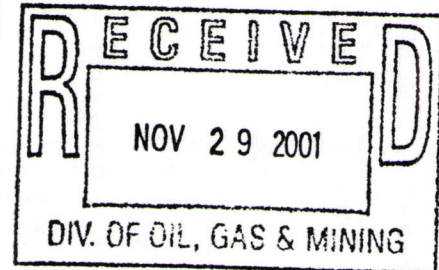
FORM MR-TRC
RECLAMATION CONTRACT
(SMO - LMO transition)
(Revised April 17, 2001)

DOGM File Number M/047/066

Effective Date Dec 18, 2001

Other Agency File Number USFS

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291
Fax: (801) 359-3940



TRANSITIONAL RECLAMATION CONTRACT

---ooOoo---

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.)
(Mineral Mined)

M/047/066
Limestone

"MINE LOCATION":
(Name of Mine)
(Description)

Deseret Generation and Transmission
Diamond Mountain Resources Limestone Mine
It is a lode, development & production Mine
The mine is located about 26 miles North Ea
of Vernal, Utah

"DISTURBED AREA":
(Disturbed Acres)
(Legal Description)
(Topographic Map)

less than 40 acres
(refer to "Attachment A")
("Attachment C", disturbed area boundary)

"OPERATOR":
(Company or Name)
(Address)

Deseret Generation & Transmission Co-operat
10714 South Jordan Gateway, Suite 300
South Jordan, UT 84095

(Phone)

801/619-6521

"OPERATOR'S REGISTERED AGENT":
(Name)
(Address)

David F. Crabtree
10714 South Jordan Gateway, Suite 300
South Jordan, UT 84095

(Phone)

801/619-6521

OPERATOR'S OFFICER(S)":

See Attachment "D"

"SURETY":

(Form of Surety - Attachment B)

Letter of Credit

"SURETY COMPANY" (Name)

(Policy or Acct. No.)

Zions First National Bank

"SURETY AMOUNT":

\$190,000.00

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Deseret Generation & Transmission Co-operative the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division"). A Reclamation Contract is required under Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules.

WHEREAS, Operator has exceeded the approved five (5) acre threshold for a small mining operation, R647-3-113, and Operator desires to continue mining operations for an "interim" period of not more than 12 months, upon areas already disturbed totaling 17.64 acres. Within 90 days of the filing of this contract and reclamation surety, the operator agrees to file a complete Notice of Intention to Commence Large Mining Operations (Form MR-LMO) describing a detailed mining and reclamation plan for continued operations at this site. An approved Large Mining Notice of Intention must be in place at the end of a 12 month time period following Division receipt of this contract. Any extension of this filing time period will be in writing and at the sole discretion of the Division.

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area and Operator is obligated to provide surety in form and amount approved by the Division, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Division.

Division. The approved form and amount of surety is attached hereto as Attachment B and made a part hereof. The surety shall remain in full force and effect according to its terms unless modified by the Division in writing. If the form of surety expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the surety, the Operator shall provide a replacement surety in a form and amount reasonably acceptable to the Division. If the Operator fails to provide an acceptable replacement surety, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.

3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules including but not limited to, the previously accepted Small Mining Notice, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies 1) that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, and the previously accepted Small Mining Notice, as amended, or 2) until a mining and reclamation plan for a large mining operation has been approved by the Division and the final Reclamation Contract and surety are in place.
6. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
7. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
8. This Contract shall be governed and construed in accordance with the laws of the State of Utah, and is in addition to any other rights and authorities the Division and Board have to seek relief from the Operator.
9. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.

10. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an Order to revoke the Small Mining Notice of Intention, order reclamation, or order forfeiture of the surety, or take such other action as is authorized by law.
11. In the event of forfeiture of the surety, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the surety, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
12. This Contract including the Small Mining Notice of Intention, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
13. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

OPERATOR:

Deseret Generation & Transmission Co-operative
Operator Name

By Soren K. Sorensen
Authorized Officer (Typed or Printed)

Senior Vice President and CFO
Authorized Officer - Position

Soren K. Sorensen
Officer's Signature

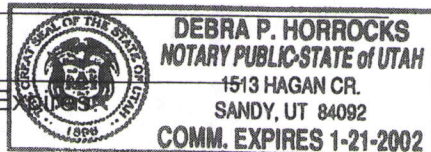
11/14/01
Date

STATE OF UTAH)
COUNTY OF Salt Lake) ss:

On the 14th day of November, 2001, Soren K. Sorensen
personally appeared before me, who being by me duly sworn did say that he/she is the Senior VP & CFO of Deseret Generation & Transmission Co-operative and duly
acknowledged that said instrument was signed on behalf of said company by authority of its
bylaws or a resolution of its board of directors and said Soren K. Sorensen
duly acknowledged to me that said company executed the same.

Debra P. Horrocks
Notary Public
Residing at _____

My Commission Expires _____



DIVISION OF OIL, GAS AND MINING:

By Mary Ann Wright
Mary Ann Wright, Associate Director

December 18, 2001
Date

STATE OF Utah)
COUNTY OF Salt Lake) ss:

On the 18th day of December, 20 01, Mary Ann Wright
personally appeared before me, who being duly sworn did say that she, the said
Mary Ann Wright is the Associate Director of the
Division of Oil, Gas and Mining, Department of Natural Resources, State of Utah, and he/she
duly acknowledged to me that she executed the foregoing document by authority of law on
behalf of the State of Utah.

Joelle Burns
Notary Public
Residing at: Salt Lake City UT.

April 4, 2005
My Commission Expires:



ATTACHMENT "A"

Deseret Generation and
Transmission Co-operative
Operator

Diamond Mountain Resources Limestone Mine
Mine Name

M/047/066
Permit Number

Uintah County, Utah

LEGAL DESCRIPTION

Include 1/4, 1/4, 1/4 sections, townships, ranges and any other descriptions that will legally determine where disturbed lands are located. Attach a topographic map of suitable scale (max. 1 inch = 500 feet; 1 inch = 200 feet or larger scale is preferred) showing township, range and sections and a clear outline of the disturbed area boundaries tied to this Reclamation Contract and surety.

The detailed legal description of lands to be disturbed is:

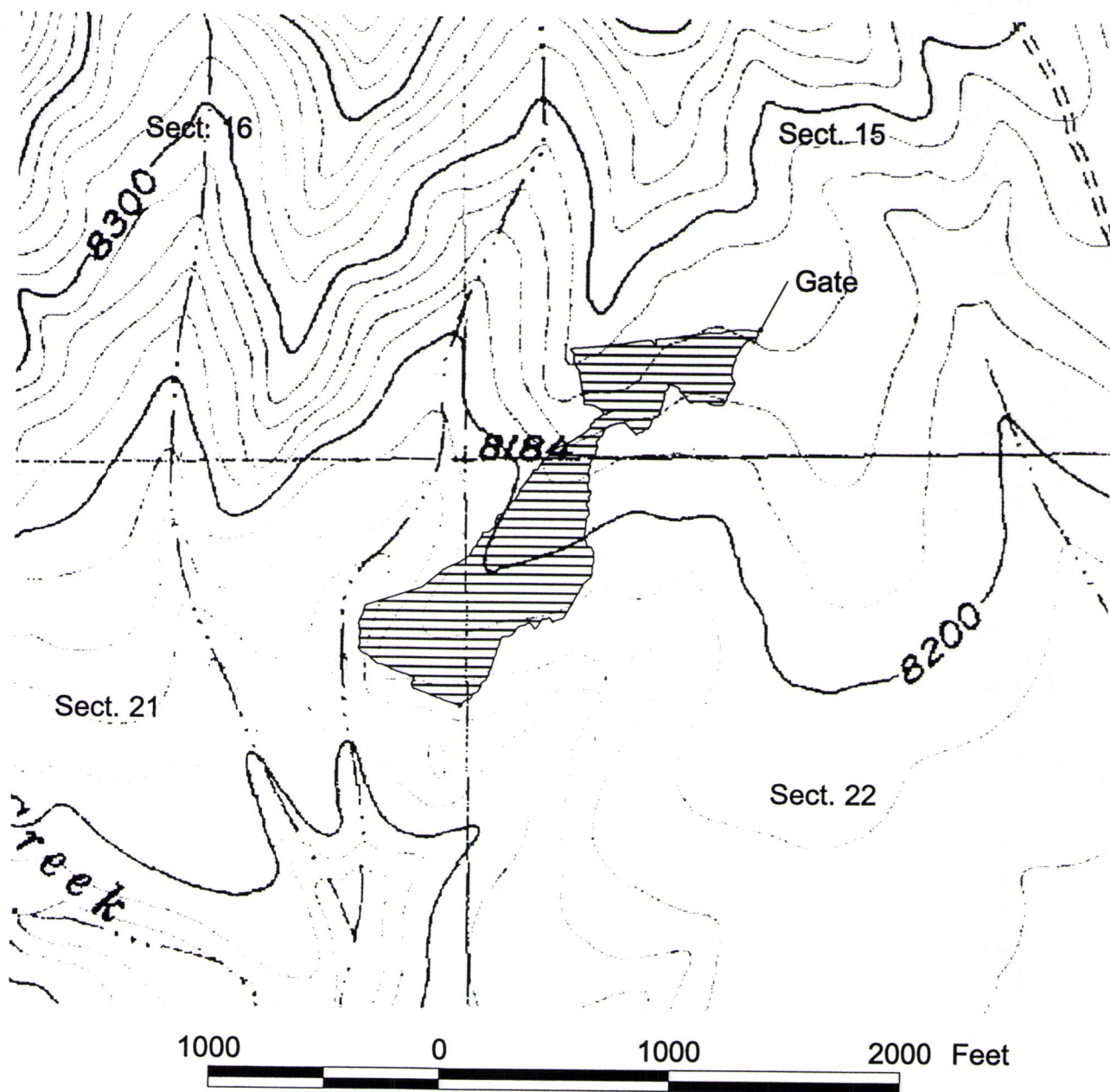
Portions of the following lands, totaling 17.34 acres of current disturbance as reflected on the attached GPS map from information gathered 10/16/2001.

S/2 SW/4 SW/4, Section 15

E/2 NE/4 NE/4, Section 21

W/2 NW/4 NW/4, Section 22

Township 1 South, Range 22 East, SLBM

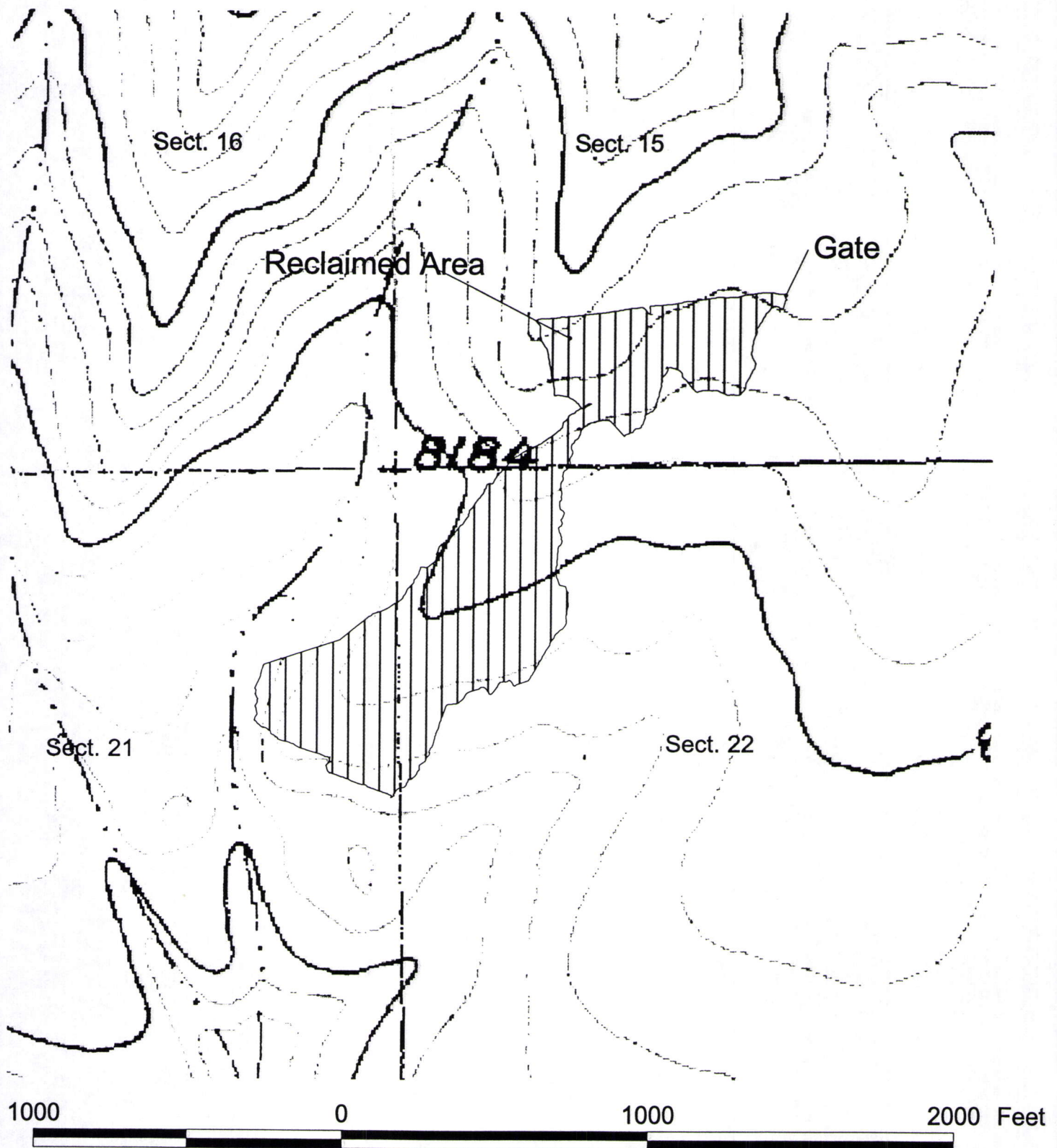


Deseret Generation and Transmission Diamond Mountain Resources

S/047/066

Prepared 10-17-01 by Paul Baker, Division of Oil, Gas and Mining, from information gathered 10-16-01. Total acreage: 17.64 acres. Quad Name: Burnt Cabin Gorge. Township 1 South, Range 22 East, SLBM

The Division does not guarantee the accuracy of this map.



Deseret Generation and Transmission Diamond Mountain Resources



M/047/066

Prepared 12-05-01 by Paul Baker, Division of Oil, Gas and Mining, from information gathered 10-16-01. Total acreage: 17.64 acres. Quad Name: Burnt Cabin Gorge.

Township 1 South, Range 22 East, SLBM. The Division does not guarantee the accuracy of this map.

ATTACHMENT D

DESERET GENERATION & TRANSMISSION CO-OPERATIVE
OFFICERS

Kim Charles
Chairman

Durand Robison
Vice Chairman

Dean Stubbs
Secretary/Treasurer

Kimball R. Rasmussen
President & CEO

Debra Horrocks
Assistant Secretary

Soren K. Sorensen
Senior Vice President and CFO

David F. Crabtree
Vice President and General Counsel

J. Edward Thatcher
Vice President/Chief Engineer

Curtis K. Winterfeld
Vice President of Marketing

ZIONS BANK

Established in 1873

International Operations
250 E. First Street, Ste 500
Los Angeles, California 90012
Phone: (213) 633-5663 / (800) 551-0110
Fax: (213) 628-8489
S.W.I.F.T: ZFNBUS55

Standby Letter of Credit

L/C No

November 20, 2001

IRREVOCABLE LETTER OF CREDIT NO.

BENEFICIARY:

STATE OF UTAH

DIVISION OF OIL, GAS AND MINING,

BOARD OF OIL, GAS AND MINING

1594 WEST NORTH TEMPLE, SUITE 1210

BOX 145801

SALT LAKE CITY, UTAH 84114-5801

EXPIRATION:

November 20, 2002 or any automatically extended date as herein below set forth

AMOUNT: USD190,000.00

Dear Sir/Madam:

1. Zions First National Bank ("Surety"), of Los Angeles, California, hereby establishes this Irrevocable Letter of Credit (the "Letter of Credit") in favor of the Utah Division of Oil, Gas and Mining ("Division") for an aggregate amount not to exceed One Hundred Ninety Thousand US DOLLARS (USD 190,000.00) effective immediately.

2. This Letter of Credit will expire upon the first event set forth as follows: (a) 5:00 o'clock p.m. (Salt Lake City time) on November 20, 2002 or (b) the date upon which sufficient documents are executed by the Division to release Deseret Power dba For Deseret Generation Transmission Cooperative ("Operator") from further liability for reclamation of the Diamond Mountain Resources, (mine) M047/066 (mine permit No.) with notice to Zions First National Bank by the Division accompanied by the original Letter of Credit with directions for cancellation.

3. This Letter of Credit will be automatically extended, without amendment, for successive periods of one year from the current or any future expiration date unless Zions First National Bank gives notice to the Division Ninety (90) days prior to the expiration date that Zions First National Bank elects not to renew the Letter of Credit.

4. Funds under the Letter of Credit are available against the Division's sight draft, in the form of Exhibit A, specifying Letter of Credit No. _____ delivered to the office of Zions First National Bank, International Operations, 250 East First Street, Suite 500, Los Angeles, California 90012. At the Division's sole election, the Division may present sight drafts for less than the Face Amount so long as the aggregate amount of all sight drafts does not exceed the Face Amount. Each draft must be accompanied by a certificate in the form of Exhibit B, signed by a duly authorized representative of the Division.

5. If Zions First National Bank receives the Division's sight draft(s) and certificate(s) as provided in Paragraph No. 4 above on or before the expiration or termination of this Letter of Credit, Zions First National Bank will make such amount as the Division may specify, within the limits of the second sentence of Paragraph No. 4 of this Letter of Credit, available to the Division no later than the close of business, Salt Lake City time, on the second business day following Zions First National Bank's receipt of the sight draft and certificate and in such a manner as the Division may specify.

6. Zions First National Bank will give prompt notice to the Operator and to the Division Director of any notice received or action filed alleging the insolvency or bankruptcy of Zions First National Bank, or alleging any violations of regulatory requirements which could result in suspension or revocation of the Zions First National Bank's charter or license to do business.

7. The Letter of Credit will be governed by the laws of the State of Utah and shall be subject to the Uniform Customs and Practice for Documentary Credit, 1993 revision, International Chamber of

Commerce Publication No. 500, as the same may be amended and in effect from time to time ("UCP"). In the event of conflict between Utah law and the UCP, Utah law shall govern.

8. All communications regarding this Letter of credit will be addressed to Zions First National Bank, International Operations, 250 East First Street, Suite 500, Los Angeles, California 90012., referencing Letter of Credit Nc

Very Truly yours,

Zions First National Bank

By: 

ANNE LANE

(Authorized Signature)

Title: OPERATIONS OFFICER

EXHIBIT B

To
Letter of Credit Number _____

I, _____ a duly authorized representative of the Utah Division of Oil, Gas and Mining, hereby certify that (1) the drawing in the amount of \$ _____, by sight draft accompanying this certificate, under Letter of Credit No. _____ dated _____ issued by you is permitted under the provision of the Letter of credit. (2) the Letter of Credit has neither expired nor terminated pursuant to its terms, (3) the amount of the sight draft, together with any amounts previously drawn under the Letter of Credit, does not exceed the Face Amount, and (4) the Utah Board of Oil, Gas and Mining, after notice and hearing, has entered an Order which has not been stayed, ordering forfeiture of Letter of Credit No. _____ in accordance with applicable law. Proceeds of this drawing will be utilized in full to pay the expenses relating to the reclamation liability, together with the costs of collection, including attorneys fees, for the _____ (Mine), _____ (mine permit #).

The Utah Division of Oil, Gas and Mining

By: _____
Authorized Signature

Date: _____

EXHIBIT A – SIGHT DRAFT
To
Letter of Credit Number

_____	_____	_____
Date	City, County	Letter of Credit No.

PAY TO THE ORDER OF: _____ Utah Division of Oil, Gas and Mining _____

_____ DOLLARS

To: (Name of Bank or Surety)
And
(Address)

Utah Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801

By: _____
Authorized Signature